

No. 20023

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

McGraw-Edison Company, a corporation,

Appellant,

vs.

Preformed Line Products Company, a corporation,

Appellee.

APPELLANT'S REPLY BRIEF.

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APPELLANT'S REPLY BRIEF.

Comments on the Brief for Appellee (Preformed).

Preformed's Brief violates Rule 18 of this Court and *Springer v. Best*, C.A. 9, 1959, 264 F. 2d 24, footnote at page 27, by alluding to facts or occurrences not in the record. We list* some of these liberties taken because they set the tone for Preformed's entire brief. Many citations of law and interpretations of facts are just as loosely treated.

*An example is found on page 4, last paragraph, reciting facts occurring in the "Cleveland case" subsequent to dismissal of the present action. The record stops with the preceding paragraph. [R. 200.]

Another example is on page 14, the statement that McGraw-Edison was "working hand-in-glove with Fanner * * *."

A further example appears on page 14, last paragraph, reciting that McGraw-Edison is doing business in Cleveland.

An additional off-the-record and misleading suggestion is made on page 16 that McGraw-Edison orders from Fanner the latter's "old form of dead end" which Fanner has been enjoined from selling. Preformed is aware that the old products held to infringe

Thus, Preformed states that “After dismissal of the complaint, Judge Crocker retained jurisdiction over the parties and controversy pleaded by McGraw-Edison’s counterclaim in order to render, as the Rule requires, an independent adjudication of the counterclaim.” [Pref. Br. p. 9.] This implies that the counterclaim remained “pending” and that Judge Crocker did independently *ad-judicate* the counterclaim. The contrary is obvious from the single order which concurrently disposed of the entire action.

The brief states that the “Lower Court Had the Discretionary Power to Refuse Jurisdiction of the Counterclaim * * *.” [Pref. Br. p. 10.], and that “The Lower Court Properly Declined to Accept Jurisdiction Of the Counterclaim in Light of the Cleveland Proceedings.” [Pref. Br. p. 11.] These are slanting expressions. The District Court already had “accepted” *jurisdiction* of the counterclaim.

Preformed’s charge [Pref. Br. p. 1] that McGraw-Edison’s Opening Brief “has curiously omitted from its Statement of the Case any description of the Cleveland litigation” and that “McGraw-Edison’s description of the proceedings in this case only sets forth half of the facts in the records” is inaccurate but serves the useful

have been discontinued by Textron, as evidenced by a failure to cite this old form of dead end as a basis for contempt in Preformed’s motion for contempt in Cleveland.

On page 19 after referring to the natural and immaterial fact that McGraw-Edison pleaded the Straight-Bight Fanngrip before Preformed’s attorney had even seen one, the brief states, without record support “(This is but one of the *many instances* of collaboration between Fanner and McGraw-Edison.)” (Emphasis added.)

The truth or falsity of these unsupported statements is not the criteria. We are not, under the Rule, entitled to deny, qualify, or supplement them, and we refrain from doing so. They should be disregarded in considering the appeal.

purpose of focusing attention to the incompatible positions taken by the respective parties.

It is inaccurate because McGraw-Edison made numerous references to the Cleveland litigation. [M.E. Op. Br. pp. 5, 8, 9, 11, 12, 13, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 37, 38, 40, 41, 42, 43, 45, 46 and 47.]

Points in Dispute Are Narrowed.

The Incompatible Positions Are: McGraw-Edison Contends That the California Case Is Controlling as to Its Rights; Preformed Argues That the Cleveland Case Dominates the Entire Controversy and Proscribes McGraw-Edison's Rights in the California Case.

The separation line is clearly emphasized by Preformed in admitting that dismissal would have been contrary to the authorities cited in our opening brief "if, *but only if*, there had been no pending litigation in Cleveland, Ohio." [Pref. Br. pp. 10-11.] Note in addition, that Preformed agrees "that dismissal of the complaint was not in itself a ground for dismissal of the counterclaim * * *" [Pref. Br. p. 12, footnote.]

It is Preformed's contention that the action in Cleveland has, *or will eventually*, dispose of all the issues raised by McGraw-Edison's counterclaim. It clearly will not, and cannot. Moreover, Preformed neglects to add that for such a conclusion, even if all other essential factors are present, the *parties must be the same*.

Summary of Preformed's Argument.

Preformed predicates its case on the proposition that the only major point in issue either in Cleveland or Los Angeles is whether or not the Straight-Bight Fanngrrips infringe the Peterson patent. That if such are held to infringe, Fanner will be stopped from manufacturing and

McGraw-Edison's source will be lost,—on the other hand, that if they are not an infringement, such decision enures to McGraw-Edison's benefit [Pref. Br. p. 17], and the controversy thus ends one way or the other.

McGraw-Edison's Response.

Such a premise and such a conclusion are palpably erroneous. The *controversy* is not limited to the Straight-Bight Fanngrrips. McGraw-Edison denies that the earlier forms of accused devices infringe, and has challenged the validity of the patent in suit from the inception of its response to the complaint. It has challenged the scope of the patent throughout the same period, and has asserted a misuse of the patent in suit and violation of the Clayton Act. We will now proceed to further consideration of this position.

1. Even if the Cleveland Court Frees the Straight-Bight Fanngrrips From the Patent Monopoly, McGraw-Edison Has the Right to a Trial on the Issues of Validity and Scope.

Dominion Electrical Mfg. Co. v. Edwin L. Wiegand Co., C. A. 6, 1942, 126 F. 2d 172. As said by Judge Simons at 174-175,

“* * * One defendant exonerated of infringement may be content with such adjudication—another may not. *Electrical Fittings Corp. v. Thomas & Betts Co.*, 307 U.S. 241, 59 S.Ct. 860, 83 L. Ed. 1263, illustrates the point that mere exoneration from infringement does not always meet the necessities of a wrongfully accused defendant. His activities are still circumscribed by the monopoly based upon the patent grant. Convinced that the patent (or the trademark) is invalid, he is still hampered and embarrassed by the necessity of

avoiding trespass. One structure or representation may escape the charge of infringement. Improvements made to meet competition, may not. He wishes to be freed from the restrictions of an invalid patent or trademark, and he represents not only himself, but, in a sense, also the public which is likewise excluded from the field of monopoly. The Declaratory Judgment Act furnishes him with the means of escape. We see no reason why it should not be available to him as a counterclaim when circumstances would have permitted a separate suit."

To the same point see: *Trico Prods. Corp. v. Anderson Co.*, C. A. 7, 1945, 147 F. 2d 721.

Furthermore, the public interest in the controversy over validity is paramount even to that of the litigants. *Hycon Manufacturing Company v. H. Koch & Sons*, C.A. 9, 1955, 219 F. 2d 353, 355-6.

2. Moreover, Absent Any Infringement Question Involving the Straight-Bight Fanngrrips, the Issues Tendered by McGraw-Edison's Counterclaim Which Was Dismissed Are Broader Respecting the Patent in Suit Than Those Decided in the Cleveland Case.

As mentioned by the District Court in Ohio, the Peterson patent contains twenty claims; and only 1, 3, 5, 6, and 8 through 15 were involved in the Cleveland case. These claims were held valid and infringed.

Preformed Line Products Co. v. Fanner Manufacturing Co., U.S. D.C., N.D. Ohio, E.D., 1960, 1962, 225 F. Supp. 762, 775.

Claims 2, 4, 7, and 16 through 20 were not involved, and remain adjudicated.

Preformed's complaint against McGraw-Edison here in California charges infringement generally [R. 14-15] in the following language: "* * * the defendants have infringed said Letters Patent by selling and using, or causing to be sold and used, devices embodying the patented invention * * *." No selected claims are specified.

Our counterclaim which was dismissed, tenders issues as to "the validity of Patent No. 2,761,273, the infringement thereof by this defendant, and the rights of this defendant thereunder." [R. 142, *et seq.*] In other words, we attacked the entire patent, which means all of the claims.

The controversy between the parties cannot be subsequently unilaterally narrowed by Preformed, through answers to interrogatories or otherwise, either to specify fewer than all the claims to be infringed, or limiting the charge to certain specified devices, in order to escape a counterclaim, *Sterling Aluminum Products, Inc. v. Bohn Aluminum & Brass Corporation*, C. A. 6, 1962, 298 F. 2d 538, 132 U.S.P.Q. 365, 367; see also *Felburn v. New York Central Railroad Co.*, C.A. 6, 1965, 350 F. 2d 416, 146 U.S.P.Q. 622, 626, cited in our Opening Brief, page 46, to another point; and *Kawneer Co. v. Pittsburgh Plate Glass Co.*, D.C.W. Mich., 1952, 103 F. Supp. 671, 93 U.S.P.Q. 3, containing an extensive review of authorities,—any more than a complete withdrawal of the charge of infringement would relieve Preformed of having to meet McGraw-Edison's counterclaim for declaratory judgment. (See authorities cited in our Opening Brief, p. 39.)

In another case wherein the plaintiff sued on only one claim of several in the patent, the Court "disposed of the patent as a whole [held it invalid] because it has

seemed to us that it should not remain in the art as a scarecrow.”

Bresnick v. United States Vitamin Corp., C.A. 2, 1943, 139 F. 2d 239, 242.

If any doubt remains, it should be dissipated by *Altwater v. Freeman*, 319 U.S. 359, 63 S. Ct. 1115, 87 L. Ed. 1450 (1943). This case is final authority for the proposition that the issue of validity may be reached by a counterclaim in an infringement suit, that the controversy between the parties does not come to an end even on the dismissal of the bill for non-infringement since their dispute went beyond the single claim of many in the patents, and beyond the particular accused devices involved in the suit.

3. Our Counterclaim Also Contains Charges Which Must Be Accepted as True* of Patent Misuse and Violation of Section 3 of the Clayton Act (15 U.S.C. 14).

These charges of misuse and antitrust violations are found in the Record at pages 142-144, incorporating by reference the Second, Third and Fourth Defenses, set forth at pages 138-140.

This tenders *issues of public interest* which cannot be avoided by Preformed even under the doctrine of *res judicata*, *Mercoird Corp. v. Mid Continent Investment Co.*, 320 U.S. 661, at 670-671, 64 S. Ct. 268, 88 L. Ed. 376, at 383-384, 60 U.S.P.Q. 21.

*In addition to the case cited on page 30 of our Opening Brief to the point that the allegations of our counterclaim must be taken as true, see *Walker Process Equipment Inc. v. Food Machinery & Chemical Corp.*, U.S. Sup. Ct., Dec. 6, 1965, U.S., 147 U.S.P.Q. 404, 406 I., reversing a decision by the Court of Appeals for the Second Circuit dismissing a counterclaim by an alleged infringer for antitrust violation.

4. Reimbursement by Textron of McGraw-Edison's Expenses Is No Ground to Deny Relief to the Latter.

Preformed lays great stress on the fact that "Fanner is financing this litigation," and that any indemnity obligation favoring McGraw-Edison Company ceased "when Preformed offered to dismiss its complaint." [Pref. Br. pp. 12-13.]

In the first place, this assistance was based on a statutory obligation of Fanner,** originating long before Fanner was ever enjoined (Textron Inc. has never been enjoined), as distinguished from a voluntary contribution by a party to a defense fund initiated after the party was under injunction, noted in *Bates Refrigerating Co. v. Gillette*, 30 Fed. 683. [Pref. Br. p. 14.] If McGraw-Edison eventually were forced to defend itself in the Cleveland case against the charge that it has aided and abetted Textron in the alleged violation of the injunction, and Textron reimbursed McGraw-Edison for its legal expenses therein under the indemnity obliga-

**The pertinent indemnity provision of the Ohio Revised Code, under which Fanner (former manufacturer) and Textron (present manufacturer) were obligated to McGraw-Edison Company, is §1302.25 (UCC 2-312) which reads as follows:

"Warranty of title and against infringement; buyer's obligation against infringement.

* * *

(C) Unless otherwise agreed a seller who is a merchant regularly dealing in goods of the kind warrants that the goods shall be delivered free of the rightful claim of any third person by way of infringement or the like but a buyer who furnishes specifications to the seller must hold the seller harmless against any such claim which arises out of compliance with the specifications."

The Uniform Commercial Code of California, §2312(3) contains wording identical to subdivision (C) quoted above.

Thus Fanner was and Textron is legally obligated by way of indemnity whether the sale is construed as made in Ohio or California.

tion, that circumstance according to Preformed's theory, would *ipso facto* constitute additional "collusion" between Textron and McGraw-Edison and furnish the grounds to have McGraw-Edison held in contempt because it defended itself in the contempt proceedings at the expense of Textron.

In the second place, the offer to dismiss was *without* prejudice, and the threat of litigation still hangs over McGraw-Edison's head by the terms of the offer, as well as by Preformed's motion for contempt against McGraw-Edison in Ohio.

The statment of Preformed that McGraw-Edison's need to "defend" has long since passed [Pref. Br. p. 17, footnote] is without substance. Preformed itself leaves the door open by the statement that "After Preformed is compensated for the tortious acts of Fanner in the Cleveland case, Preformed could not and would not expect to recover on account of infringement by the identical articles through their sale by McGraw-Edison in California or elsewhere [R. 336, 346, 356]." [Pref. Br. p. 24.] What happens to McGraw-Edison if Preformed is not fully compensated by Fanner, the original defendant, which is no longer in existence? What happens to McGraw-Edison if Textron which is said to be a successor of Fanner, and was never a party to the suit, does not satisfy a judgment? Let Preformed's offer to dismiss its California complaint be construed as a grant of immunity for all time or purposes to McGraw-Edison to use any kind of material made by anyone that comes within the claims of the patent in suit such that McGraw-Edison has a free nonrevocable license under the patent in suit, and the need to defend does vanish. We invite Preformed to confirm such a construction.

5. Abuse, Arbitrary, or Improvident Exercise of Discretion Is Fully Supported by the Record.

Preformed contends that "the conclusion is inescapable that it was within Judge Crocker's sound discretion to refuse to assume jurisdiction" of our counterclaim. [Pref. Br. p. 10]. The brief further states that such conclusion is required by the Declaratory Judgment Act, and such cases as *Public Affairs Associates, Inc. v. Rickover*, 369 U.S. 111, 82 S. Ct. 580, 7 L. Ed. 2d 604 (1962). However, in that case the Supreme Court stated, among other things, "Of course a District Court cannot decline to entertain such an action as a matter of whim or personal disinclination * * *."

Further, on the broad doctrine that a court has discretion over accepting a declaratory judgment action, Preformed cites *American Greiner Electronic, Inc. v. Etablissements Henry-Le Paute, S.A.*, 174 F. Supp. 918 (D.D.C. 1959). [Pref. Br. p. 11.]

In that case a declaratory judgment action, which was filed first by American Greiner was declined jurisdiction by the trial court where the *same party*, American Greiner, had been sued by the patentee in another district subsequent to the filing of the declaratory judgment action. What Preformed completely ignores in relying on this case is that in both suits *the parties were the same*. In the instant situation this is not true at all but rather, in Ohio, Preformed first sued a *manufacturer* and then, in California, for its own unexplained reasons which it now chooses to ignore, *Preformed* initiated a suit against a *customer* who responded with a counterclaim seeking declaratory relief.

Preformed also argues that there is "no showing that the lower Court clearly abused its discretion in dismissing McGraw-Edison's counterclaim without prejudice."

[Pref. Br. p. 24.] What kind of a “showing” should be made is not delineated.

We do not believe that any right to exercise discretion remained with the District Court at the time and under the circumstances and in the light of Rule 41(a)(2) at the date of dismissal. However, the whole history of the case demonstrates that *if* the Court were permitted the exercise of discretion it abused the same or exercised it arbitrarily or improvidently.

Preformed’s counsel approved the “form and substance,” *i.e. stipulated*, to the Order Removing Action From Trial Calendar, having joined in the motion which resulted in the order, dated November 3, 1959. [R. 25.]

At that time both litigants and the District Court knew that the Cleveland case had been tried and was under submission. The stipulated order recites “that the decision in said case *might* dispose of this action.” (Emphasis added.)

That, followed by the provision that the California case “may be restored to the trial calendar by *either party* upon ten days’ notice to the other or by order of the Court” constitutes a clear recognition by the parties and the Court that the action might be disposed of under one set of circumstances, but could and should proceed under another. (Emphasis ours.)

More specifically, the proper and logical interpretation must be that if the patent were held invalid the California action might be disposed of, but if any of the claims of the patent were held valid, McGraw-Edison would have its day in court.

There was no question then that the District Court in California had jurisdiction of the parties and of the action, including the counterclaims then on file.

Preformed cannot point to any fact arising since that date which could nullify that stipulated Court order.

To the contrary, the District Court in California was informed by Preformed's counsel in a hearing held October 15, 1962 that in the Cleveland case "The patent was held valid and infringed * * * both sides have appealed to the Sixth Circuit." After colloquy between Court and counsel for both parties the Court said: "Very well. Then let's take it [the California case] off calendar, to be set for trial as soon as you gentlemen are ready. Will that do?" It was then pointed out to the Court that there already was an outstanding order that it would be taken off calendar, to be restored at anyone's move on ten days' notice, or by the Court, at any time. After further discussion, the Court said: "Very well. We will continue with the same order [the order of November 3, 1959] * * *." [R. 28 (b,-c).]

The subsequent bringing of the motion to dismiss, and the order granting it, to which this appeal is directed, were wholly inconsistent with the letter and spirit of the original stipulated order, as reaffirmed on October 15, 1962.

Moreover, on June 15, 1964, after the case had been restored to the trial calendar, at a hearing involving, among other things, McGraw-Edison's motion to amend and file a supplemental answer and counterclaim, Preformed's counsel stated to the Court, "I have no objection to filing the supplemental answer and counterclaim" except for the sixth defense and the fifth cause of the counterclaim. [R. 46 (b).]

At that hearing, counsel for Preformed advised the District Court that the decision in the Cleveland case had been sustained by the Court of Appeals and peti-

tion for rehearing was filed and denied. He further stated: "Now, McGraw-Edison is a seller of a particular structure manufactured by the defendant in the Ohio case and there is an agreement between McGraw and the defendant in the Ohio case that McGraw-Edison will be held harmless for anything they sell of the things held to be infringed in the Ohio case because of the fact they let it go to trial and decided in Ohio."

The Court responded, "We can try it here." Counsel for Preformed responded, "Sure * * *." [R. 46-(j).]

That is correct, and is consonant with the well established rule of law that "The purchaser of a manufactured product should not be barred, of course, from defending a suit brought against him by a patentee for infringement by a finding of infringement against the manufacturer, for the very good reason that he has had no opportunity to be heard with respect to infringement in the suit against the manufacturer."

General Chemical Co. v. Standard Wholesale Phosphate & Acid Works, Inc., C.A. 4, 1939, 101 F. 2d 178, 181.

Furthermore, a patent infringement suit is clearly *in personam*. It concludes the parties. It concludes nobody else. A second suit against other parties starts afresh, and the second court is free to disregard the earlier ruling, if so advised.

Traitel Marble Company v. U. T. Hungerford Brass & Copper Co., C.A. 2, 18 F. 2d 66.

Preformed's counsel concedes that to be valid law. He stated during an argument before the District Court September 24, 1964 [R. 47]:

"These suits [in Cleveland and California] are in personam, and of course where you have the same

plaintiff and different defendants there is an entitlement of that second defendant to be heard notwithstanding a judgment against a defendant in the first instance.”

He argued, however, that the law does not apply to our case, and among the reasons advanced was “that the evidence that we *hope* to bring before the court *ultimately* in this case in support of the motion that we *plan to bring* to supplement our Complaint will support the showing that the present suit is being maintained and controlled by Fanner.” (Emphasis ours.)

He further conceded that McGraw-Edison is entitled under Judge Learned Hand’s *in personam* doctrine (*Traitel Marble* case) to “relitigate” if Fanner is not in control of the California case. [R. 348.]

The “hope” mentioned has never reached fruition. No evidence of such character has been presented to the District Court, no motion to “supplement” the Complaint has been served or filed. The “hope” was announced in the fall of 1964, about six and a half years after the complaint was filed. Four months later, when the motion to dismiss was filed, the “hope” was still a dream.

Having failed in that approach, Preformed evidently concluded, and in its Brief before this Court admits in effect that *res judicata* cannot support the dismissal of our counterclaim. [Pref. Br. p. 16.] Preformed actually had no choice. The cases cited by us, as to the requirements for *res judicata* [M.E. Op. Br. pp. 32-36], are all either Ninth Circuit cases or in accord with the Ninth Circuit. One of them, *Aghnides et al. v. Holden et al.*, C.A. 7, 1955, 226 F. 2d 949, 107 U.S.P.Q. 195, was cited with approval in *Technograph Printed Circuits*,

Ltd. v. Methode Electronics, Inc., C.A. 7, 1966,
F. 2d ..., 148 U.S.P.Q. 181, 185.

Abandoning the "hope" of supporting *res judicata* in the California case, Preformed then changed tactics and on November 13, 1964 filed in the Cleveland case a supplemental motion to punish for contempt [R. 185] in which it alleged *upon information and belief* that McGraw-Edison Company "conspired, colluded, assisted and/or participated with Textron, Inc." in acts of contempt; and prayed that McGraw-Edison Company be enjoined from further prosecution of the litigation in California. [R. 186.]

On page 16 of Preformed's Brief, Preformed remarks that it is up to the Cleveland court to decide whether McGraw-Edison knowingly aided and abetted Fanner in any violation of the Cleveland injunction, asserting that no reason exists as to why "McGraw-Edison will not be given full opportunity to be heard on these issues." Does Preformed, by these quoted statements, also represent that McGraw-Edison will be given a full opportunity to be heard on the question of validity of the Peterson patent, including the claims not adjudicated in the Cleveland case, misuse, and antitrust, which it has raised in its counterclaim? And a chance to try the question of infringement posed by all dead end products, including the old as well as the new and different product over which no judicial determination has been made in *either* the Cleveland or California suits? And to fully try such questions in the injunction proceedings? Obviously, the answer is no in each instance. Nor does Preformed want McGraw-Edison to have the opportunity to litigate such issues.

If the contempt motion is proceeding toward trial in Ohio as to Textron Inc., in consolidation with a de-

claratory judgment action brought by Textron Inc., as represented by Preformed [Pref. Br. p. 19.], *it is not proceeding there as to McGraw-Edison*. [Restraining Order, R. 227, and Consent, R. 316.]

Note also, the assurance of Preformed's counsel at a hearing before the District Court in California on March 22, 1965 [R. 313 (a), at p. 313 (cc)]:

"We are not going to proceed against McGraw-Edison at all in the Cleveland case; we aren't going to take any action whatsoever * * *."

If such assurance was intended only to last as long as Judge Crocker's reinstatement of restraining order remains in effect, the order does not expire until the final decision by this Court of Appeals on the present appeal. [R. 228.] Meanwhile, McGraw-Edison is "unconvicted" of anything which could prejudice its position before this Court.

6. It Is Not Even Necessary That an Abuse of Discretion Be Found in Order to Reverse the Judgment of the District Court.

This Court so decided in *Delno v. Market St. Ry. Co.*, 124 F. 2d 965 (1942) cited in our Opening Brief at page 21. In the court's opinion Circuit Judge Haney said, at page 968:

"We think * * * that we may substitute our judgment for that of the court below. Professor Borchard agrees with that view. Borchard, *Declaratory Judgments*, 2d Ed., pp. 253, 254, 293, 294."

This is not overruled by *Whceldin v. Wheeler*, C.A. 9, 1960, 280 F.2d 293, cited by Preformed [Pref. Br. p. 25] where this Court in a per curiam decision involving a declaratory judgment action as to validity of subpoenas, etc., affirmed a dismissal by the District Court

“for the reason that entertainment of the claim * * * was discretionary with the district court.”

Obviously this Court of Appeals had no criticism of the District Court's ruling and therefore had no occasion to further comment.

The principle that the Court of Appeals may substitute its judgment for that of the District Court, even in a matter involving discretion, is parallel to another long established doctrine. This doctrine holds that in cases where the facts are not disputed, or where the record is documentary, and the credibility of witnesses is not involved, or where the report of a Special Master is for all practical purposes the judgment appealed from, the Court of Appeals may disregard the “clearly erroneous” rule, and give independent consideration to the questions involved. *Oriental Foods v. Chun King Sales*, C.A. 9, 1957, 244 F. 2d 909, 913; *Wilson-Western Sporting Goods v. Barnhart*, C.A. 9, 1936, 81 F. 2d 108, 109; *Falkenberg v. Golding*. C.A. 7, 1952, 195 F. 2d 482, 486.

In the present case before this Court there was no trial, no testimony of witnesses, the record is entirely documentary, there are no findings of fact or conclusions of law, there is no conflict in the record as to the facts, and this Court of Appeals is free to independently decide the questions involved without predicated its ruling on a finding that the District Court abused its discretion, or even that its dismissal of our counterclaim was clearly erroneous.

7. McGraw-Edison's Point That It Is Being Deprived of Due Process of Law Is Well Founded.

Preformed argues that its “charge” that both Fanner and McGraw-Edison are acting in contempt of the Cleveland Court when “they collaborate” to maintain the

California action “was in itself sufficient grounds for Judge Crocker to dismiss the counterclaim.” [Pref. Br. p. 15.]

Since when does an *unproved* charge, made on *information* and *belief*, against a corporation *not a party* in the case wherein the charge is made, constitute grounds for *dismissal* of another pending action over which the Court has had jurisdiction of the cause and the parties for approximately seven years, and which had been *set for trial*? [R. 363.]

Preformed’s comment that our due process argument evidences a basic misconception of the contempt motion [Pref. Br. p. 15] is predicated on the fallacious proposition that while *res judicata* is not available to Preformed in the California case which was proceeding to trial, it is applicable to the contempt motion in Cleveland. We suggest that McGraw-Edison’s failure to subscribe to such an untenable conclusion is understandable.

Preformed “does not contend that McGraw-Edison is bound by the Cleveland injunction” [Pref. Br. p. 15] but does contend that McGraw-Edison was bound to observe its restrictions to the extent that it must not aid or abet its violation by others, through “collusion,” or working “hand-in-glove,” with Textron.*

*The Cleveland injunction is directed to the Fanner Manufacturing Company (now extinct), its officers, agents, servants, employees, attorneys, successors and assigns, and all those controlling defendant, in privity, active concert or participation with defendant, or controlled by defendant, or any thereof, and permanently enjoins them from directly or indirectly making or causing to be made, using or causing to be used, selling or causing to be sold, articles embodying, or made by using, the invention or inventions embraced or covered by certain specified claims of the patent, and from infringing upon the same claims of the patent in any wise whatsoever, and in any way, directly or indirectly contributing to the infringement of the patent by others. [Record, Pages 189-190]

Whether Textron, as the successor of Fanner, has committed any act of violation of such injunction is not before this court.

The only question involving the Cleveland injunction before this Court, as posed by Preformed, is whether McGraw-Edison is barred from litigating its own rights in an action brought by Preformed against McGraw-Edison in California, where a full trial on all issues could be had.

The *terms* of the Cleveland injunction do not preclude McGraw-Edison from litigating. Even if the terms of the injunction had been broad enough to cover litigating (as distinguished from acts of infringement), the record is completely devoid of any factual support which would establish privity between McGraw-Edison and Textron.

In upholding McGraw-Edison's right to litigate, this Court would not be invading the right of the Cleveland Court to construe its own injunction, because such injunction is directed only against infringement, and neither by its terms nor implications could it be construed to bar litigation by a defendant in California who is a stranger to the Cleveland case.

We re-emphasize that to sustain the dismissal of McGraw-Edison's counterclaim in the California case in "light of the * * * pending litigation in Cleveland, Ohio" [R. 226], would deprive McGraw-Edison of due process of law.

The District Court in California partially properly construed McGraw-Edison's rights when it granted the Temporary Restraining Order on January 15, 1965 [R. 173.] Its error arose in granting Preformed's motion to dismiss which was filed four days later, January 19, 1965. [R. 197.]

Preformed comments [Pref. Br. p. 21] on the fact that we did not see fit to discuss in our Opening Brief the case of *E. B. Kaiser Co. v. Ric-Wil Co.*, N.D. Ohio, 1950, 95 F. Supp. 54. The reason we passed it

by is because it is in no way analogous to the present situation.

Now, however, we cannot let go unchallenged Preformed's assertion that as regards Fanner-made products, that case "presents the same factual situation as the case at bar." [Pref. Br. p. 21.]

In *Kaiser*, a patent owner and a manufacturer were the parties involved, *and the only parties* to the litigation.

The patent owner in *Kaiser* first sued the manufacturer in Illinois where the product was held to be an infringement. Subsequently the *same manufacturer* brought an action in Ohio against the *same patentee* which was dismissed by the Ohio court. In the instant situation, Preformed brought an action against the manufacturer in Cleveland and, while that suit was pending, brought suit against the customer in California. Preformed, having won against the manufacturer in Cleveland, now retreats from its multiple filing of suits and blandly states the customer in California should have no right to contest the issues initially raised by Preformed. Obviously the *Kaiser* decision is inapposite. In that case both parties had their day in court. In our case, McGraw-Edison has not.

The judgment of the District Court should be reversed and McGraw-Edison's counterclaim be reinstated.

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Certificate.

I certify that in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those Rules.

HERBERT A. HUEBNER

